

Colonial Coal International Corp.

(An Exploration Stage Company)

**Condensed Interim Consolidated Financial Statements
Three Months Ended October 31, 2020 and 2019**

(Unaudited - expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

	Note	October 31, 2020 \$	July 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		5,974,690	6,033,490
Short term investments		88,054	88,054
Receivables and prepaids	3	84,483	446,431
		6,147,227	6,567,975
Coal properties and deferred expenditures	4	13,589,656	13,488,080
Reclamation deposits		203,200	203,200
Equipment and right-of-use asset		139,157	3,586
Deferred acquisition costs		1	1
		13,932,014	13,694,867
		20,079,241	20,262,842
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		72,763	87,010
Due to related parties	7	28,981	28,361
Lease obligations – current portion	5	69,799	-
		171,543	115,371
Lease obligations – non-current portion	5	66,060	-
		237,603	115,371
Equity Attributable to Shareholders			
Share capital	6	41,011,915	41,011,915
Contributed surplus		8,941,138	8,811,086
Deficit		(30,111,415)	(29,675,530)
		19,841,638	20,147,471
		20,079,241	20,262,842

Commitments (Notes 4, 5 and 8)

Approved by the Board of Directors

(signed) “Ian Downie”

(signed) “David Austin”

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	Note	2020 \$	2019 \$
Expenses			
Amortization		12,542	377
Consulting	7	23,550	54,883
Director's fees	7	6,000	6,000
Filing and listing fees		4,719	15,918
Management fees	7	148,001	140,500
Office and administration		37,682	47,983
Professional fees	7	36,622	47,246
Shareholder communications		38,172	33,716
Share-based payments	6(b)	130,052	-
Travel and promotion		18,394	19,301
		(455,734)	(365,924)
Other income (expense)			
Interest income		21,241	8,388
Lease finance charge		(1,392)	-
		19,849	8,388
Net loss and comprehensive loss for the period		(435,885)	(357,536)
Basic and diluted loss per common share		(0.00)	(0.00)
Weighted average number of shares outstanding			
- Basic and diluted		174,268,051	154,542,741

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	Issued Share Capital		Contributed	Deficit	Total
	Number of	Amount	Surplus		
	Shares	\$	\$	\$	\$
	#				
Balance, July 31, 2019	154,285,749	33,978,613	9,591,753	(27,411,684)	16,158,682
Shares issued pursuant to exercise of warrants	513,850	93,578	-	-	93,578
Transfer value on exercise of warrants	-	45,507	(45,507)	-	-
Comprehensive loss for the period	-	-	-	(357,536)	(357,536)
Balance, October 31, 2019	154,799,599	34,117,698	9,546,246	(27,769,220)	15,894,724
Shares issued pursuant to exercise of warrants	19,468,452	5,564,514	-	-	5,564,514
Transfer value on exercise of warrants	-	1,329,703	(1,329,703)	-	-
Share based payments	-	-	594,543	-	594,543
Comprehensive loss for the period	-	-	-	(1,906,310)	(1,906,310)
Balance, July 31, 2020	174,268,051	41,011,915	8,811,086	(29,675,530)	20,147,471
Share based payments	-	-	130,052	-	130,052
Comprehensive loss for the period	-	-	-	(435,885)	(435,885)
Balance, October 31, 2020	174,268,051	41,011,915	8,941,138	(30,111,415)	19,841,638

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Colonial Coal International Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	2020	2019
	\$	\$
Cash flows (used in) provided by		
Operating activities		
Loss for the period	(435,885)	(357,536)
Items not affecting cash		
Amortization	12,542	377
Share-based payments	130,052	-
Interest income	(21,241)	(8,388)
Lease finance charge	1,392	-
	(313,140)	(365,547)
Interest received	26,726	17,192
Net change in non-cash working capital items:		
Receivables and prepaids	(19,242)	915
Accounts payable and accrued liabilities	(12,117)	7,759
Due to related parties	620	(1,733)
	(317,153)	(341,414)
Investing activities		
Deferred costs	(103,706)	(148,888)
B.C Mining Exploration Tax Credits	375,705	-
	271,999	(148,888)
Financing activities		
Exercise of warrants	-	93,578
Lease payments	(13,646)	-
	(13,646)	93,578
Decrease in cash and cash equivalents	(58,800)	(396,724)
Cash and cash equivalents, beginning of the period	6,033,490	2,579,891
Cash and cash equivalents, end of the period	5,974,690	2,183,167

Supplemental cash flow information (Note 9)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

1 Organization and nature of operations

Colonial Coal International Corp. (the “Company”) was incorporated pursuant to the Business Corporations Act of Alberta on August 1, 2007. The Company’s corporate head office is located at Suite 200 – 595 Howe Street, Vancouver, British Columbia, Canada. The Company is listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol “CAD”.

The Company’s principal activities include the acquisition, exploration and development of coal properties located in Canada. The Company is also pursuing the acquisition of Watson Island, located just outside of Prince Rupert, British Columbia, for the purpose of developing a seaport terminal and supporting industrial park.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended July 31, 2020, which have been prepared in accordance with IFRS.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2020.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended July 31, 2020.

These financial statements were approved by the board of directors for use on December 16, 2020.

3 Receivables and prepaids

	October 31, 2020	July 31, 2020
	\$	\$
GST recoverable	31,801	25,531
Prepaid expenses and other	52,682	45,195
BC Mining Exploration Tax Credit	-	375,705
	<u>84,483</u>	<u>446,431</u>

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

4 Coal properties and deferred expenditures (Schedule 1)

	October 31, 2020	July 31, 2020
	\$	\$
Huguenot property, B.C.	11,299,253	11,207,194
Flatbed property, B.C.	2,290,403	2,280,886
	<u>13,589,656</u>	<u>13,488,080</u>

- a) The Company owns a 100% interest in seventeen coal licenses covering an area of 9,531 hectares and commonly referred to as the Huguenot property located in the Liard Mining Division, northeastern British Columbia. The Huguenot property is subject to a 1.5% production royalty, including 1.2% which is payable to certain directors of the Company.

The Company owns a 100% interest in eight coal licenses covering 9,607 hectares and commonly referred to as the Flatbed property located in the Liard Mining Division, northeastern British Columbia. The Flatbed property is subject to a 1.5% production royalty, 1.35% of which is payable to certain directors of the Company.

5 Lease obligations

The Company recognized lease obligations with respect to the lease for right-of-use assets. The lease is for office space leased by the Company. The Company is required to make monthly payments of approximately \$7,164, with the term of the lease expiring August 31, 2022. The outstanding balances as at October 31, 2020, calculated using the implied rate of 11.8%, are as follows:

	October 31, 2020	July 31, 2020
	\$	\$
Office lease liability	135,859	-
Less: current portion	(69,799)	-
Non-current portion	<u>66,060</u>	<u>-</u>

The following is a schedule of the Company's future minimum lease payments related to the lease obligations:

	October 31, 2020	
	\$	
	2020	13,646
	2021	82,462
	2022	55,754
Total minimum lease payments		151,862
Less: imputed interest		(16,003)
Total present value of minimum lease payments		135,859
Less: current portion		(69,799)
Non-current portion		<u>66,060</u>

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

6 Share Capital

a) Authorized

An unlimited number of common shares without par value.

An unlimited number of preferred shares issuable in series without par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

b) Stock options

The Company has established a stock option plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board.

The Company's stock options outstanding as at October 31, 2020 and July 31, 2020 and the changes for the periods then ended are as follows:

	Number of options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance, July 31, 2019	11,245,000	0.47	6.97
Granted	2,100,000	0.35	
Expired	(500,000)	0.31	
Balance, July 31, 2020	12,845,000	0.46	5.62
Granted	250,000	0.68	
Expired	(3,995,000)	0.77	
Balance outstanding and exercisable, October 31, 2020	9,100,000	0.33	7.88

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

Options to acquire common shares outstanding at October 31, 2020 are as follows:

Expiry Date	Exercise price \$	Remaining Life (years)	Options Outstanding	Unvested	Vested
April 5, 2028	0.31	7.43	6,750,000	-	6,750,000
November 29, 2029	0.35	9.06	2,100,000	-	2,100,000
September 15, 2030	0.68	9.88	250,000	-	250,000
			9,100,000	-	9,100,000

During the three months ended October 31, 2020, the Company recorded share-based payments expense of \$130,052 (2019 - \$nil). The weighted average fair value of stock options granted during the three months ended October 31, 2020 of \$0.52 per option was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2020
Average stock price (\$)	0.67
Average exercise price (\$)	0.68
Average risk-free interest rate (%)	0.58
Expected life (years)	5.0
Expected volatility (%)	108
Expected dividends (\$)	Nil

The expected volatility was calculated using the historical stock price of the Company.

7 Related party transactions

Related party transactions not disclosed elsewhere in the consolidated financial statements are as follows:

- During the three months ended October 31, 2020 the Company incurred \$18,000 (2019 - \$18,000) in consulting fees paid to Shane Austin, the son of David Austin, President and CEO of the Company. The fees paid were for corporate development of the Company.

Related party transactions are comprised of services rendered by directors and/or officers of the Company and companies controlled by them or persons associated with them. Related party transactions are in the ordinary course of business.

Compensation paid or payable to key management, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and directors for services provided during the three months ended October 31, 2020 and 2019 was as follows:

Colonial Coal International Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	2020	2019
	\$	\$
Director's fees	6,000	6,000
Management fees	148,001	140,500
Professional fees	11,250	11,250
	165,251	157,750

Amounts due to related parties at October 31, 2020 amounting to \$28,981 (July 31, 2020 - \$28,360) are non-interest bearing and have no specific terms of repayment.

8 Commitments

- a) The Company is committed under the terms of royalty agreements in respect of its interests in coal properties (Note 4).
- b) The Company is committed under the terms of an office lease agreement that expires on August 31, 2022, for rent and estimated operating costs (Note 5).

9 Non-cash transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the three months ended October 31, 2020, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred expenditures of \$19,477 included in accounts payable and accrued liabilities at October 31, 2020, less expenditures included in accounts payable and accrued liabilities at July 31, 2020 of \$21,607 (net inclusion of \$2,130).
- Deferred expenditures of \$nil included in receivables and prepaids at October 31, 2020, less \$375,705 at July 31, 2020 related to B.C Mining Exploration Tax Credits (net exclusion of \$375,705).

During the three months ended October 31, 2019, the following transactions were excluded from the consolidated statement of cash flows:

- Deferred expenditures of \$33,319 included in accounts payable and accrued liabilities at October 31, 2019, less expenditures included in accounts payable and accrued liabilities at July 31, 2019 of \$4,956 (net exclusion of \$28,363).

10 Segment information

The Company operates in one segment – the acquisition, exploration and development of coal properties. As at October 31, 2020, all the operations and assets were in Canada.

Colonial Coal International Corp.**Schedule 1**

Consolidated Schedule of Deferred Exploration and Evaluation Costs

For the three months ended October 31, 2020 and the year ended July 31, 2020

(Unaudited - expressed in Canadian Dollars)

	Huguenot	Flatbed	Total
	\$	\$	\$
Balance, July 31, 2019	10,835,279	2,513,144	13,348,423
Field programs	32,342	4,765	37,107
Consultants and contractors	246,875	57,460	304,335
Licenses and fees	137,470	98,190	235,660
Public relations / First Nations	1,528	379	1,907
Project administration	12,659	9,158	21,817
B.C. Mining Exploration Tax Credits	(58,959)	(402,210)	(461,169)
	371,915	(232,258)	139,657
Balance, July 31, 2020	11,207,194	2,280,886	13,488,080
Field programs	44,055	963	45,018
Consultants and contractors	14,682	-	14,682
Licenses and fees	27,135	3,710	30,845
Public relations / First Nations	4,770	4,770	9,540
Project administration	1,417	74	1,491
	92,059	9,517	101,576
Balance, October 31, 2020	11,299,253	2,290,403	13,589,656